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Madaza, Sinawo

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The Determinants of the Capital Structure of SA-REITs



Submitted By:
Madaza, Sinawo
Student Number: 818758

Supervisor:
Tumellano Sebehela

School of Construction Economics and Management
University of the Witwatersrand
Johannesburg, South Africa
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Abstract

The purpose of the study was to investigate the SA-REITs by understanding the relationship between their performance and the capital structure determinants. In essence, to delve deep in exploring to what extent the decisions made by REITs in their capital structure configuration are influenced by either the Trade-off Theory, Pecking Order Theory or Market Timing Theory. The study was explored using three models; namely, the Multiple Linear Regression model, the Panel Regression model, and the Pearson Correlation Coefficient model. Using the SPPS lenses to analyse the data through the above-mentioned models, the findings indicated that SA-REITs affirm that Non-debt tax shield has a positive significant relationship with Debt-to-Capital ratio. The study also indicated clear evidence that as the SA-REITs increase debt beyond the limits, the financial performance of the firms decline and increase the possibilities of insolvency. The overall analysis of the study illustrates that capital structure decisions of SA-REITs can mostly be attributed to both the Static Trade-off Theory and the Pecking Order Theory, as we note two significant determinants when specifically analysing the Multiple Linear Regression models without taking into consideration the time effect. As the SA-REITs continue to grow, the reliance on the Market Timing Theory continues to be an avenue to influence the capital structure decisions of REITs.

Keywords: Capital structure, REIT
JEL: G31, G32